



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2008
OF THE CONDITION AND AFFAIRS OF THE

Priority Health Government Programs, Inc.

NAIC Group Code	3383	(Current Period)	3383	(Prior Period)	NAIC Company Code	11520	Employer's ID Number	32-0016523
Organized under the Laws of	Michigan				State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States							
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Dental Service Corporation []			
	Vision Service Corporation []		Other []		Health Maintenance Organization [X]			
	Hospital, Medical & Dental Service or Indemnity []				Is HMO, Federally Qualified? Yes [] No [X]			
Incorporated/Organized	06/03/2002				Commenced Business	10/01/2002		
Statutory Home Office	1231 East Beltline NE				Grand Rapids, MI 49525-4501			
	(Street and Number)				(City or Town, State and Zip Code)			
Main Administrative Office	1231 East Beltline NE							
	Grand Rapids, MI 49525-4501				616-942-0954			
	(City or Town, State and Zip Code)				(Area Code) (Telephone Number)			
Mail Address	1231 East Beltline NE				Grand Rapids, MI 49525-4501			
	(Street and Number or P.O. Box)				(City or Town, State and Zip Code)			
Primary Location of Books and Records	1231 East Beltline NE							
	Grand Rapids, MI 49525-4501				616-464-8926			
	(City or Town, State and Zip Code)				(Area Code) (Telephone Number)			
Internet Website Address	www.priority-health.com							
Statutory Statement Contact	Kristy Shoemaker				616-464-8926			
	(Name)				(Area Code) (Telephone Number) (Extension)			
	kristy.shoemaker@priority-health.com				616-942-7916			
	(E-mail Address)				(FAX Number)			

OFFICERS

Name	Title	Name	Title
Kimberly K Horn	President / Chief Executive Officer	Gregory A Hawkins	Treasurer / Chief Financial Officer
Judith W Hooyenga	Secretary		

OTHER OFFICERS

James F Byrne	Vice President		
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DIRECTORS OR TRUSTEES

James F Byrne	Neill P Gage	Gregory A Hawkins	Kimberly K Horn
James S Slubowski			

State ofMichigan.....

ss

County ofKent.....

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Kimberly K Horn
President / Chief Executive Officer

Gregory A Hawkins
Treasurer / Chief Financial Officer

Judith W Hooyenga
Secretary

Subscribed and sworn to before me this
..... day of February, 2009

Mary Bierlein
Document Coordinator
11/18/2012

- a. Is this an original filing? Yes [X] No []
- b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	1,079,391		1,079,391	1,041,125
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	0		0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$11,474,859 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$19,621,135 , Schedule DA).....	31,095,994		31,095,994	21,499,265
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	32,175,385	0	32,175,385	22,540,390
11. Title plants less \$charged off (for Title Insurers only)			0	0
12. Investment income due and accrued	236,830		236,830	102,499
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	320,448		320,448	892,450
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset.....			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	123,303		123,303	103,088
22. Health care (\$1,351,698) and other amounts receivable.....	1,427,966	76,268	1,351,698	1,078,651
23. Aggregate write-ins for other than invested assets	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	34,283,932	76,268	34,207,664	24,717,078
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	34,283,932	76,268	34,207,664	24,717,078
DETAILS OF WRITE-INS				
0901. Prepaid Expenses.....			0	0
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$0 reinsurance ceded)	.....12,429,136		.....12,429,136	.....11,175,079
2. Accrued medical incentive pool and bonus amounts	.....1,278,373		.....1,278,373	.....798,473
3. Unpaid claims adjustment expenses	.....149,177		.....149,177	.....145,966
4. Aggregate health policy reserves			.....0	.....0
5. Aggregate life policy reserves			.....0	.....0
6. Property/casualty unearned premium reserves			.....0	.....0
7. Aggregate health claim reserves			.....0	.....0
8. Premiums received in advance	.....507,768		.....507,768	.....573,947
9. General expenses due or accrued	.....274,005		.....274,005	.....303,506
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			.....0	.....0
10.2 Net deferred tax liability			.....0	.....0
11. Ceded reinsurance premiums payable			.....0	.....0
12. Amounts withheld or retained for the account of others			.....0	.....0
13. Remittance and items not allocated			.....0	.....0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			.....0	.....0
15. Amounts due to parent, subsidiaries and affiliates	.....1,511,531		.....1,511,531	.....274,654
16. Payable for securities			.....0	.....0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			.....0	.....0
18. Reinsurance in unauthorized companies			.....0	.....0
19. Net adjustments in assets and liabilities due to foreign exchange rates			.....0	.....0
20. Liability for amounts held under uninsured plans			.....0	.....0
21. Aggregate write-ins for other liabilities (including \$ current)	.....0	.....0	.....0	.....0
22. Total liabilities (Lines 1 to 21)	.....16,149,990	.....0	.....16,149,990	.....13,271,625
23. Aggregate write-ins for special surplus funds	XXX	XXX	.....0	.....0
24. Common capital stock	XXX	XXX	.....10,000	.....10,000
25. Preferred capital stock	XXX	XXX		.....0
26. Gross paid in and contributed surplus	XXX	XXX	.....11,750,000	.....11,750,000
27. Surplus notes	XXX	XXX		.....0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	.....1,000,000	.....1,000,000
29. Unassigned funds (surplus)	XXX	XXX	.....5,297,674	.....(1,314,547)
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		.....0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		.....0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	.....18,057,674	.....11,445,453
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	.....34,207,664	.....24,717,078
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	.....0	.....0	.....0	.....0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	.....0	.....0	.....0	.....0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	.....0	.....0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	.....0	.....0
2801. Appropriated Retained Earnings	XXX	XXX	.....1,000,000	.....1,000,000
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	.....0	.....0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	.....1,000,000	.....1,000,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	632,857	603,296
2. Net premium income (including \$0 non-health premium income).....	XXX	139,088,381	119,653,567
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	(7,652,295)	(7,160,542)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	131,436,086	112,493,025
Hospital and Medical:			
9. Hospital/medical benefits		83,825,156	76,733,686
10. Other professional services		67,982	43,639
11. Outside referrals		3,444,651	3,417,968
12. Emergency room and out-of-area		6,745,798	5,883,520
13. Prescription drugs		18,930,550	16,586,745
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		1,340,939	885,181
16. Subtotal (Lines 9 to 15)	0	114,355,076	103,550,739
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	114,355,076	103,550,739
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$167,241 cost containment expenses.....		1,672,535	1,182,107
21. General administrative expenses.....		9,477,701	6,698,606
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	125,505,312	111,431,452
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	5,930,774	1,061,573
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		707,780	1,021,406
26. Net realized capital gains (losses) less capital gains tax of \$0		1,660	0
27. Net investment gains (losses) (Lines 25 plus 26)	0	709,440	1,021,406
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	6,640,214	2,082,979
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	6,640,214	2,082,979
DETAILS OF WRITE-INS			
0601. QAAP Assessment.....	XXX	(7,652,295)	(7,160,542)
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	(7,652,295)	(7,160,542)
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901.			0
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	11,445,453	9,410,747
34. Net income or (loss) from Line 32	6,640,214	2,082,979
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		0
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	(27,995)	(48,273)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	6,612,219	2,034,706
49. Capital and surplus end of reporting period (Line 33 plus 48)	18,057,672	11,445,453
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance.....	139,594,204	119,178,972
2. Net investment income.....	571,604	1,007,917
3. Miscellaneous income.....	(7,595,994)	(7,047,065)
4. Total (Lines 1 through 3).....	132,569,814	113,139,824
5. Benefit and loss related payments.....	112,978,459	99,145,483
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	11,176,526	7,869,927
8. Dividends paid to policyholders.....		0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	0	0
10. Total (Lines 5 through 9).....	124,154,985	107,015,410
11. Net cash from operations (Line 4 minus Line 10).....	8,414,829	6,124,414
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	1,050,000	0
12.2 Stocks.....	0	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	1,660	68,042
12.7 Miscellaneous proceeds.....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,051,660	68,042
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	1,086,422	1,035,563
13.2 Stocks.....	0	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	68,042
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,086,422	1,103,605
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14).....	(34,762)	(1,035,563)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		0
16.5 Dividends to stockholders.....	0	0
16.6 Other cash provided (applied).....	1,216,662	(414,590)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	1,216,662	(414,590)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	9,596,729	4,674,261
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	21,499,265	16,825,004
19.2 End of year (Line 18 plus Line 19.1).....	31,095,994	21,499,265

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Priority Health Government Programs, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	139,088,381	1,276,278	0	0	0	0	0	137,812,103	0	0
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of \$										
medical expenses)	0									XXX
4. Risk revenue.....	0									XXX
5. Aggregate write-ins for other health care related revenues.....	(7,652,295)	(70,195)	0	0	0	0	0	(7,582,100)	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	131,436,086	1,206,083	0	0	0	0	0	130,230,003	0	0
8. Hospital/medical/ benefits	83,825,156	600,769						83,224,387		XXX
9. Other professional services	67,982	515						67,467		XXX
10. Outside referrals	3,444,651	6,098						3,438,553		XXX
11. Emergency room and out-of-area	6,745,798	75,172						6,670,626		XXX
12. Prescription Drugs	18,930,550	283,474						18,647,076		XXX
13. Aggregate write-ins for other hospital and medical.....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	1,340,939	14,915						1,326,024		XXX
15. Subtotal (Lines 8 to 14)	114,355,076	980,943	0	0	0	0	0	113,374,133	0	XXX
16. Net reinsurance recoveries	0									XXX
17. Total hospital and medical (Lines 15 minus 16)	114,355,076	980,943	0	0	0	0	0	113,374,133	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$	167,241									
cost containment expenses.....	1,672,535	37,545						1,634,990		
20. General administrative expenses	9,477,701	212,756						9,264,945		
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	125,505,312	1,231,244	0	0	0	0	0	124,274,068	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	5,930,774	(25,161)	0	0	0	0	0	5,955,935	0	0
DETAILS OF WRITE-INS										
0501. QAAP Assessment.....	(7,652,295)	(70,195)						(7,582,100)		XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	(7,652,295)	(70,195)	0	0	0	0	0	(7,582,100)	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,278,235		1,957	1,276,278
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid.....	137,998,582		186,479	137,812,103
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8)	139,276,817	.0	188,436	139,088,381
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	139,276,817	0	188,436	139,088,381

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Priority Health Government Programs, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	117,074,923	994,891						116,080,032		
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	117,074,923	994,891	0	0	0	0	0	116,080,032	0	0
2. Paid medical incentive pools and bonuses	861,039	13,023						848,016		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	12,429,136	187,988	0	0	0	0	0	12,241,148	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	12,429,136	187,988	0	0	0	0	0	12,241,148	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	1,278,373	19,335						1,259,038		
6. Net healthcare receivables (a)	5,314,843	80,386						5,234,457		
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	11,175,079	136,465	0	0	0	0	0	11,038,614	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	11,175,079	136,465	0	0	0	0	0	11,038,614	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	798,473	17,443	0	0	0	0	0	781,030	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	113,014,137	966,028	0	0	0	0	0	112,048,109	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	113,014,137	966,028	0	0	0	0	0	112,048,109	0	0
13. Incurred medical incentive pools and bonuses	1,340,939	14,915	0	0	0	0	0	1,326,024	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	2,425,568	36,686						2,388,882		
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	2,425,568	36,686	0	0	0	0	0	2,388,882	0	0
2. Incurred but Unreported:										
2.1. Direct	9,968,109	150,766						9,817,343		
2.2. Reinsurance assumed	0									
2.3. Reinsurance ceded	0									
2.4. Net	9,968,109	150,766	0	0	0	0	0	9,817,343	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	35,459	536						34,923		
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	35,459	536	0	0	0	0	0	34,923	0	0
4. TOTALS:										
4.1. Direct	12,429,136	187,988	0	0	0	0	0	12,241,148	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4. Net	12,429,136	187,988	0	0	0	0	0	12,241,148	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	134,792	860,100	292	187,696	135,084	136,465
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums					0	0
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid.....	10,844,720	105,235,310	18,991	12,222,157	10,863,711	11,038,614
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	10,979,512	106,095,410	19,283	12,409,853	10,998,795	11,175,079
10. Healthcare receivables (a).....	380,670	4,656,450	0	680,727	380,670	403,005
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts	861,039			1,278,373	861,039	798,473
13. Totals (Lines 9 - 10 + 11 + 12)	11,459,881	101,438,960	19,283	13,007,499	11,479,164	11,570,547

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	884	884	884	884	884
2. 2004	539	943	947	947	947
3. 2005	XXX	1,112	1,174	1,174	1,174
4. 2006	XXX	XXX	777	821	821
5. 2007	XXX	XXX	XXX	522	664
6. 2008	XXX	XXX	XXX	XXX	790

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	884	884	884	884	884
2. 2004	901	945	947	947	947
3. 2005	XXX	1,160	1,174	1,174	1,174
4. 2006	XXX	XXX	848	849	849
5. 2007	XXX	XXX	XXX	768	767
6. 2008	XXX	XXX	XXX	XXX	982

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004.....	952	947	14	1.5	961	100.9			961	100.9
2. 2005.....	997	1,174	14	1.2	1,188	119.2			1,188	119.2
3. 2006.....	1,016	821	15	1.8	836	82.3			836	82.3
4. 2007.....	1,065	664	10	1.5	674	63.3			674	63.3
5. 2008	1,206	790	9	1.1	799	66.3	207	2	1,008	83.6

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	.42,280	.42,288	.42,290	.42,290	.42,290
2. 2004 .....	.43,724	.47,980	.47,991	.47,991	.47,991
3. 2005	XXX	.60,799	.69,301	.69,301	.69,301
4. 2006	XXX	XXX	.71,729	.78,797	.78,806
5. 2007	XXX	XXX	XXX	.91,545	.102,854
6. 2008	XXX	XXX	XXX	XXX	100,649

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	.42,312	.42,288	.42,290	.42,290	.42,290
2. 2004 .....	.49,442	.48,002	.47,991	.47,991	.47,991
3. 2005	XXX	.69,517	.69,351	.69,351	.69,351
4. 2006	XXX	XXX	.79,823	.79,765	.79,765
5. 2007	XXX	XXX	XXX	.102,840	.102,750
6. 2008	XXX	XXX	XXX	XXX	113,464

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004.....	.54,400	.47,991	.823	.1.7	.48,814	.89.7			.48,814	.89.7
2. 2005.....	.74,538	.69,301	.1,093	.1.6	.70,394	.94.4			.70,394	.94.4
3. 2006.....	.85,313	.78,806	.1,220	.1.5	.80,026	.93.8			.80,026	.93.8
4. 2007.....	.111,428	.102,854	.1,358	.1.3	.104,212	.93.5	.19		.104,231	.93.5
5. 2008 .....	.130,230	.100,649	.976	.1.0	.101,625	.78.0	.13,481	.147	.115,253	.88.5

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	.43, 164	.43, 172	.43, 174	.43, 174	.43, 174
2. 2004 .....	.44, 263	.48, 923	.48, 938	.48, 938	.48, 938
3. 2005	XXX	.61, 911	.70, 475	.70, 475	.70, 475
4. 2006	XXX	XXX	.72, 506	.79, 618	.79, 627
5. 2007	XXX	XXX	XXX	.92, 067	.103, 518
6. 2008	XXX	XXX	XXX	XXX	.101, 439

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	.43, 196	.43, 172	.43, 174	.43, 174	.43, 174
2. 2004 .....	.50, 343	.48, 947	.48, 938	.48, 938	.48, 938
3. 2005	XXX	.70, 677	.70, 525	.70, 525	.70, 525
4. 2006	XXX	XXX	.80, 671	.80, 614	.80, 614
5. 2007	XXX	XXX	XXX	.103, 608	.103, 517
6. 2008	XXX	XXX	XXX	XXX	.114, 446

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004 .....	.55, 352	.48, 938	.837	.1.7	.49, 775	.89.9	.0	.0	.49, 775	.89.9
2. 2005 .....	.75, 535	.70, 475	.1, 107	.1.6	.71, 582	.94.8	.0	.0	.71, 582	.94.8
3. 2006 .....	.86, 329	.79, 627	.1, 235	.1.6	.80, 862	.93.7	.0	.0	.80, 862	.93.7
4. 2007 .....	.112, 493	.103, 518	.1, 368	.1.3	.104, 886	.93.2	.19	.0	.104, 905	.93.3
5. 2008 .....	.131, 436	.101, 439	.985	.1.0	.102, 424	.77.9	.13, 689	.149	.116, 262	.88.5

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	.0								
2. Additional policy reserves (a) .....	.0								
3. Reserve for future contingent benefits .....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income) .....	.0								
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4) .....	.0			.0	.0	.0	.0	.0	.0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$0 for occupancy of own building).....	2,111	19,002	486,787		507,900
2. Salaries, wages and other benefits.....	144,921	1,304,288	4,846,220		6,295,429
3. Commissions (less \$0 ceded plus \$0 assumed.....	0	0	0		0
4. Legal fees and expenses.....	9	79	37,812		37,900
5. Certifications and accreditation fees.....	0	106	11,382		11,488
6. Auditing, actuarial and other consulting services.....	171	1,542	109,477		111,190
7. Traveling expenses.....	52	471	102,644		103,167
8. Marketing and advertising.....	154	1,388	386,807		388,349
9. Postage, express and telephone.....	405	3,643	203,366		207,414
10. Printing and office supplies.....	952	8,572	312,538		322,062
11. Occupancy, depreciation and amortization.....	640	5,765	90,447		96,852
12. Equipment.....	10	85	22,262		22,357
13. Cost or depreciation of EDP equipment and software.....	5,107	45,958	720,839		771,904
14. Outsourced services including EDP, claims, and other services.....	11,454	103,089	1,360,385		1,474,928
15. Boards, bureaus and association fees.....	5	48	27,498		27,551
16. Insurance, except on real estate.....	4	36	44,767		44,807
17. Collection and bank service charges.....	5	46	25,007		25,058
18. Group service and administration fees.....	50	455	204,218		204,723
19. Reimbursements by uninsured plans.....	0	0	0		0
20. Reimbursements from fiscal intermediaries.....	0	0	0		0
21. Real estate expenses.....	0	0	0		0
22. Real estate taxes.....	114	1,029	26,676		27,819
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....	0	0	0		0
23.2 State premium taxes.....	0	0	0		0
23.3 Regulatory authority licenses and fees.....	0	0	738		738
23.4 Payroll taxes.....	1,037	9,331	414,883		425,251
23.5 Other (excluding federal income and real estate taxes).....	40	361	42,948		43,349
24. Investment expenses not included elsewhere.....	0	0	0		0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	167,241	1,505,294	9,477,701	0	(a).....11,150,236
27. Less expenses unpaid December 31, current year.....	14,918	134,259	274,005		423,182
28. Add expenses unpaid December 31, prior year.....	14,597	131,370	303,506	0	449,473
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	166,920	1,502,405	9,507,202	0	11,176,527
DETAIL OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	0	0	0	0	0

(a) Includes management fees of \$11,102,367 to affiliates and \$0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....78,449	.....78,449
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....	.....
1.3	Bonds of affiliates	(a) .....0	.....
2.1	Preferred stocks (unaffiliated)	(b) .....0	.....
2.11	Preferred stocks of affiliates	(b) .....0	.....
2.2	Common stocks (unaffiliated) .....	.....0	.....
2.21	Common stocks of affiliates .....	.....0	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e) .....495,000	.....629,331
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	573,449	.....707,780
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....0
17.	Net investment income (Line 10 minus Line 16)		707,780
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		0

(a) Includes \$8,875 accrual of discount less \$7,030 amortization of premium and less \$20,823 paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$41,191 accrual of discount less \$207,223 amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5.
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	.....0	.....0	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....0	.....	.....
1.2	Other bonds (unaffiliated) .....	.....	.....0	.....	.....
1.3	Bonds of affiliates .....	.....0	.....0	.....0	.....0
2.1	Preferred stocks (unaffiliated) .....	.....0	.....0	.....0	.....0
2.11	Preferred stocks of affiliates .....	.....0	.....0	.....0	.....0
2.2	Common stocks (unaffiliated) .....	.....0	.....0	.....0	.....0
2.21	Common stocks of affiliates .....	.....0	.....0	.....0	.....0
3.	Mortgage loans .....	.....0	.....0	.....0	.....0
4.	Real estate .....	.....0	.....0	.....	.....0
5.	Contract loans .....	.....	.....0	.....	.....
6.	Cash, cash equivalents and short-term investments	1,660	1,660	.....	.....
7.	Derivative instruments .....	.....	.....0	.....	.....
8.	Other invested assets .....	.....0	.....0	.....0	.....0
9.	Aggregate write-ins for capital gains (losses) .....	.....0	.....0	.....0	.....0
10.	Total capital gains (losses)	1,660	1,660	0	0
DETAILS OF WRITE-INS					
0901.	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premiums.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	76,268	48,273	(27,995)
23. Aggregate write-ins for other than invested assets	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	76,268	48,273	(27,995)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	76,268	48,273	(27,995)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	50,775	51,748	52,486	53,751	55,117	632,857
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	50,775	51,748	52,486	53,751	55,117	632,857
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

A. Nature of Organization and Ownership

Priority Health Government Programs, Inc., (PHGP or the Plan) a nonprofit HMO established effective October 1, 2002, is a wholly owned subsidiary of Priority Health. Priority Health Government Programs, Inc. has over 55,100 Medicaid and MICHild members as of December 31, 2008. PHGP provides coverage for medical, hospital and other health care services to Medicaid and MICHild subscribers as a health insurance product in conjunction with the State of Michigan's programs.

Priority Health is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 95% shareholder), as well as Munson Healthcare and Healthshare, Inc.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of medical costs is less than budgeted levels, the providers may share in the surplus, as defined in their respective agreements, and be eligible for the return of previously withheld fees. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

PHGP's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Office of Insurance and Financial Regulation (OFIR). The National Association of Insurance Commissioners (NAIC) revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification, effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2008.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by OFIR. OFIR provided a transition period (a prescribed practice) for certain statements of statutory accounting principles (SSAPs) found in the NAIC Accounting Practices and Procedures Manual. There is a full adoption and application of applicable SSAPs.

Beginning in 2007, the State of Michigan included within premium payments to the Plan various transfer programs. This requires the Plan to pass certain amounts collected as part of premium from the State of Michigan to various health care providers, as determined by the State. Although there is no risk associated with the transfer, OFIR requires the Plan to account for the premium receipts as revenue and the subsequent hospital pass through as medical expense. This results in additional revenue and medical

NOTES TO FINANCIAL STATEMENTS

expense of \$28,155,000 in 2008 and \$20,029,000 in 2007. The related increase in claims unpaid liability for the year ended December 31, 2008 and 2007 is \$3,388,000 and \$3,036,000, respectively. There is no impact to net income.

B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices. Currently, the Plan does not hold any long term bonds or other investments outside of the statutory requirements.
3. Common Stocks are Not Applicable
4. Preferred Stocks are Not Applicable
5. Mortgage loans are Not Applicable
6. Loan-backed securities are Not applicable
7. The Plan does not have investments in subsidiaries, controlled, or affiliated companies.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable.
10. The Company does not anticipate investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.
11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following

NOTES TO FINANCIAL STATEMENTS

year.

12. The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Correction of Errors

A. Material Changes in Accounting Principles

The Plan does not have any material changes in accounting principles and/or correction of errors in the reporting period.

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO). HMOs within the State of Michigan, including Priority Health Government Programs, Inc., have adopted these provisions as prescribed.

3. Business Combinations and Goodwill

A. Not Applicable

B. Not Applicable

C. Not Applicable

D. Not Applicable

4. Discontinued Operations

The Plan has no Discontinued Operations to report.

5. Investments

A. Mortgage Loans --Not Applicable

B. Debt Restructuring -- Not Applicable

C. Reverse Mortgages -- Not Applicable

D. Loan-backed securities --Not Applicable

E. Repurchase Agreements -- Not Applicable

F. Real Estate -- Not Applicable

G. Low-income Housing Tax Credits -- Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is Not Applicable to the Plan as no income due is past its due date and no investment income was non-admitted.

8. Derivative Instruments

NOTES TO FINANCIAL STATEMENTS

This note is Not Applicable to the Plan.

9. Income Taxes

The Plan is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, Affiliates, and Other Related Parties

A, B, C, D, E, F, G

The Plan has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Plan through common ownership, to provide certain management services. The management fee incurred by the Plan was \$8,976,000 in 2008 and \$7,843,000 in 2007.

The Company also has a management contract with Priority Health, to provide certain management services. The management fee incurred by the Plan was \$454,000 in 2008. The management fee was new to the plan in 2008.

Rental payments for operating leases are being paid by PHMB as part of the management contract.

Health care costs approximating \$23,376,000 in 2008 and \$24,257,000 in 2007 were provided to plan members by related organizations.

Amounts due from affiliates of \$123,000 at December 31, 2008, and \$103,000 at December 31, 2007, represents primarily receivables for pharmacy rebates collected by the Plan's Parent. Amounts due to affiliates of \$1,512,000 at December 31, 2008, and \$275,000 at December 31, 2007, are related to amounts owed under the management agreement and contractual obligations under provider participation agreements.

PHGP did not receive capital contributions from Priority Health in 2008 and 2007.

H--None

I--None

J - None

K - None

L - None

11. Debt

The Plan does not have Capital Notes nor any other type of debt, therefore, this note

NOTES TO FINANCIAL STATEMENTS

is Not Applicable.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

This note is Not Applicable to the Plan.

13. Capital and Surplus, Shareholder’s Dividend Restrictions, and Quasi-Reorganizations

- (1) The Plan has 60,000 authorized shares of common stock. Of these shares, 10,000 are issued and outstanding, all to its parent company, Priority Health.
- (2) The Plan has no preferred stock outstanding.
- (3) and (4) All stock is non-dividend bearing
- (5) There were no restrictions placed on the Plan’s surplus.
- (6) This is Not Applicable to the Plan.
- (7) This is Not Applicable to the Plan.
- (8) This is Not Applicable to the Plan
- (9) This is Not Applicable to the Plan
- (10) This is Not Applicable to the Plan
- (11) This is Not Applicable to the Plan
- (12) This is Not Applicable to the Plan
- (13) This is Not Applicable to the Plan

14. Contingencies

- A. The Plan does not have any commitments or contingent commitments to a SCA entity, joint venture, partnership, or limited liability company at this time.
- B. Assessments are likewise Not Applicable.
- C. Gain Contingencies are Not Applicable.
- D. All Other Contingencies are Not Applicable.

NOTES TO FINANCIAL STATEMENTS

15. Leases

A. Lessee Operating Lease

- 1. In the course of business, the Company does not enter into leases directly. PHMB leases office space, office equipment, and computer hardware/software under various operating lease agreements that expire over various periods of time. Rental expense for 2008 and 2007 was approximately \$3,494,000 and \$4,538,000, respectively. The Company pays for the fully allocated cost for these leases as described in the Management Agreement with PHMB.
- 2. At December 31, 2007, the minimum aggregate rental commitments of PHMB are as follows:

Year Ending December 31 Operating Leases

1.	2009	\$ 2,671,151
2.	2010	\$ 2,131,744
3.	2011	\$ 849,723
4.	2012	\$ 757,400
5.	2013	\$ 717,446
6.	Thereafter	\$ 1,390,518

- 3. The Plan is not involved in any sales-leaseback transactions.

B. Lessor Leases

This note is Not Applicable to the Plan.

5. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is Not Applicable to the Plan.

7. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Plan.

3. Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

This note is Not Applicable to the Plan.

NOTES TO FINANCIAL STATEMENTS

9. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is Not Applicable to the Plan.

20. Other Items

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

21. Events Subsequent

There are no subsequent events to report for the Plan.

22. Reinsurance

- A. Not Applicable
- B. Not Applicable
- C. None
- D. Not Applicable
- E. Not Applicable
- F. Not Applicable

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

This note is Not Applicable to the Plan.

24. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were favorable by approximately \$176,000 in 2008, decreasing the prior year-end claim reserve estimates of approximately \$11.2 million to \$11.0 million.

25. Intercompany Pooling Arrangements

This note is Not Applicable to the Plan.

26. Structured Settlements

This note is Not Applicable to the Plan.

NOTES TO FINANCIAL STATEMENTS

27. Health Care Receivables

- A. The Plan’s method for estimating pharmacy rebates relies on the information provided by the pharmacy rebates manager for invoiced rebates. The Plan’s pharmacy rebates are collected by its parent company and are included in the Plan’s amounts due from affiliates.

The following table represents pharmacy rebates billed and collected as of the end of each quarter for the three years ended December 31, 2008, 2007 and 2006.

	Estimated on FS	Pharmacy rebates as Invoiced/ Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2008	\$ 117,108	\$ 191,961	\$ -	\$ -	\$ -
9/30/2008	\$ 76,889	\$ 183,993	\$ 256,658	\$ -	\$ -
6/30/2008	\$ 73,889	\$ 161,723	\$ 367,120	\$ 7	\$ -
3/31/2008	\$ 46,000	\$ 154,567	\$ 369,905	\$ 17,760	\$ 3,406
12/31/2007	\$ 77,884	\$ 134,893	\$ 272,520	\$ 52,331	\$ 17,239
9/30/2007	\$ 30,000	\$ 144,790	\$ 280,198	\$ 33,255	\$ 322
6/30/2007	\$ 30,000	\$ 137,423	\$ 256,458	\$ 35,909	\$ 12,287
3/31/2007	\$ 48,000	\$ 139,137	\$ 247,538	\$ 43,526	\$ 12,809
12/31/2006	\$ 52,288	\$ 159,094	\$ 185,658	\$ 42,718	\$ 767
9/30/2006	\$ 33,000	\$ 138,967	\$ 175,844	\$ 34,963	\$ 8,751
6/30/2006	\$ 50,000	\$ 149,933	\$ 229,787	\$ 27,844	\$ 1,298
3/31/2006	\$ 50,000	\$ 140,753	\$ 52,284	\$ 170,096	\$ 5,116

- B. This note is Not Applicable to the Plan.

28. Participating Policies

This note is Not Applicable to the Plan.

29. Premium Deficiency Reserves

The Plan did not have a premium deficiency reserve as of December 31, 2007 and 2006.

30. Anticipated Salvage and Subrogation

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ NA ☐
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2006
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2006
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/26/2008
- 3.4

By what department or departments?

State of Michigan Office of Financial and Insurance Regulation
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes ☐ No ☐ NA ☒
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☐ No ☒ NA ☐
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes ☐ No ☒
- 4.12

renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes ☐ No ☒
- 4.22

renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,
- 7.21

State the percentage of foreign control
- 7.22

State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?.....

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved.....

11.13

Total book/adjusted carrying value.....

\$.....
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and

a.

professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?.....

Yes [] No [X]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?.....

Yes [] No [X]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?.....

Yes [X] No []

GENERAL INTERROGATORIES
FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [] No [X]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers .. \$.....0

18.12 To stockholders not officers ... \$.....0

18.13 Trustees, supreme or grand (Fraternal only) \$.....0

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers ... \$.....0

18.22 To stockholders not officers \$.....0

18.23 Trustees, supreme or grand (Fraternal only) \$.....0

19.1

Were any assets reported in the statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [] No [X]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others \$.....0

19.22 Borrowed from others \$.....0

19.23 Leased from others \$.....0

19.24 Other \$.....0

20.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [] No [X]

20.2

If answer is yes:

20.21 Amount paid as losses or risk adjustment \$.....0

20.22 Amount paid as expenses \$.....0

20.23 Other amounts paid \$.....0

21.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:.....

\$.....117,108

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3).....

Yes [] No [X]

22.2

If no, give full and complete information relating thereto:
Priority Health Government Programs had exclusive control over the securities, however, a third party, Mellon Bank, had actual possession of the securities.

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)
n/a

22.4

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?.....

Yes [] No []

22.5

If answer to 22.4 is YES, report amount of collateral

\$.....

22.6

If answer to 22.4 is NO, report amount of collateral.....

\$.....

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3).....

Yes [] No [X]

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements \$.....0

23.22 Subject to reverse repurchase agreements..... \$.....0

23.23 Subject to dollar repurchase agreements..... \$.....0

23.24 Subject to reverse dollar repurchase agreements.... \$.....0

23.25 Pledged as collateral..... \$.....0

23.26 Placed under option agreements..... \$.....0

23.27 Letter stock or securities restricted as to sale..... \$.....0

23.28 On deposit with state or other regulatory body..... \$.....0

23.29 Other..... \$.....0

23.3

For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

If no, attach a description with this statement. Yes [] No [] NA [X]

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

25.2

If yes, state the amount thereof at December 31 of the current year.

\$.....

GENERAL INTERROGATORIES

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [] No [X]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
Mellon Trust.....	Pittsburgh, PA.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
Michigan Department of Treasury.....	Lansing, Michigan.....	Statutory Deposit - Held by the State of Michigan.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

26.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>2</div> <div>Address</div>
n/a.....	Prime Investments.....	Bloomfield, CT.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [] No [X]

27.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
.....
27.2999 TOTAL		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
.....
.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	20,700,526	20,884,719	184,193
28.2 Preferred stocks.....	0		0
28.3 Totals	20,700,526	20,884,719	184,193

28.4 Describe the sources or methods utilized in determining the fair values:

Provided by investment managers.....

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$0

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	

31.1 Amount of payments for legal expenses, if any?.....\$37,508

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Barnes & Thornburg.....	16,539

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$0

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2

If yes, indicate premium earned on U. S. business only

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

All years prior to most current three years:

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

All years prior to most current three years:

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$

\$

2.2

Premium Denominator

\$

\$

2.3

Premium Ratio (2.1/2.2)

2.4

Reserve Numerator

\$

\$

2.5

Reserve Denominator

\$

\$

2.6

Reserve Ratio (2.4/2.5)

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No []

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

5.2

If no, explain:

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental and vision

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

HMO holds harmless provisions of provider contracts, trust indentures.

7.1

Does the reporting entity set up its claim liability for provider services on a service date base?

Yes [X] No []

7.2

If no, give details:

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

8.2

Number of providers at end of reporting year

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

9.22

Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes [X] No []

10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....0

10.22 Amount actually paid for year bonuses

\$.....0

10.23 Maximum amount payable withholds

\$.....1,371,497

10.24 Amount actually paid for year withholds

\$.....873,639

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or,

Yes [X] No []

11.14 A Mixed Model (combination of above) ?

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.

Michigan

11.4 If yes, show the amount required.

\$.....7,325,094

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation.

200% Risk Based Capital

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Allegan.....
Kent.....
Lake.....
Manistee.....
Mecosta.....
Montcalm.....
Muskegon.....
Oceana.....
Osceola.....

FIVE-YEAR HISTORICAL DATA

	1 2008	2 2007	3 2006	4 2005	5 2004
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	34,207,664	24,717,078	18,892,299	17,084,464	14,450,142
2. Total liabilities (Page 3, Line 22)	16,149,990	13,271,625	9,481,552	12,064,395	7,070,257
3. Statutory surplus	7,325,094	6,739,338	5,969,236	5,333,844	2,214,076
4. Total capital and surplus (Page 3, Line 31)	18,057,674	11,445,453	9,410,747	4,660,069	7,379,885
Income Statement (Page 4)					
5. Total revenues (Line 8)	131,436,086	112,493,025	86,329,568	75,534,759	55,351,892
6. Total medical and hospital expenses (Line 18)	114,355,076	103,550,739	79,936,507	70,051,802	50,859,773
7. Claims adjustment expenses (Line 20)	1,672,535	1,182,107	1,249,487	1,020,214	777,771
8. Total administrative expenses (Line 21)	9,477,701	6,698,606	7,080,435	5,781,211	4,407,368
9. Net underwriting gain (loss) (Line 24)	5,930,774	1,061,573	65,733	(3,321,062)	(693,020)
10. Net investment gain (loss) (Line 27)	709,440	1,021,406	745,098	441,926	131,422
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income (loss) (Line 32)	6,640,214	2,082,979	810,831	(2,879,136)	(561,598)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	8,414,829	6,124,414	(2,620,076)	2,299,386	43,438
Risk - Based Capital Analysis					
14. Total adjusted capital	18,057,674	11,445,453	9,410,747	4,660,069	7,379,885
15. Authorized control level risk-based capital	3,662,547	3,369,669	2,984,618	2,666,971	2,087,761
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	55,117	50,775	49,730	46,828	37,630
17. Total member months (Column 6, Line 7)	632,857	603,296	578,886	520,658	398,144
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	82.2	86.5	87.6	87.6	87.2
20. Cost containment expenses	0.1	0.1	0.1	0.1	xxx
21. Other claims adjustment expenses	1.1	0.9	1.2	1.1	1.2
22. Total underwriting deductions (Line 23)	90.2	93.1	94.5	98.6	96.1
23. Total underwriting gain (loss) (Line 24)	4.3	0.9	0.1	(4.2)	(1.2)
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	11,479,164	7,141,396	8,437,546	5,613,811	5,236,769
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	11,570,547	7,198,546	8,542,594	5,990,802	4,718,714
Investments In Parent, Subsidiaries And Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1)	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31	0	0	0	0	0

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

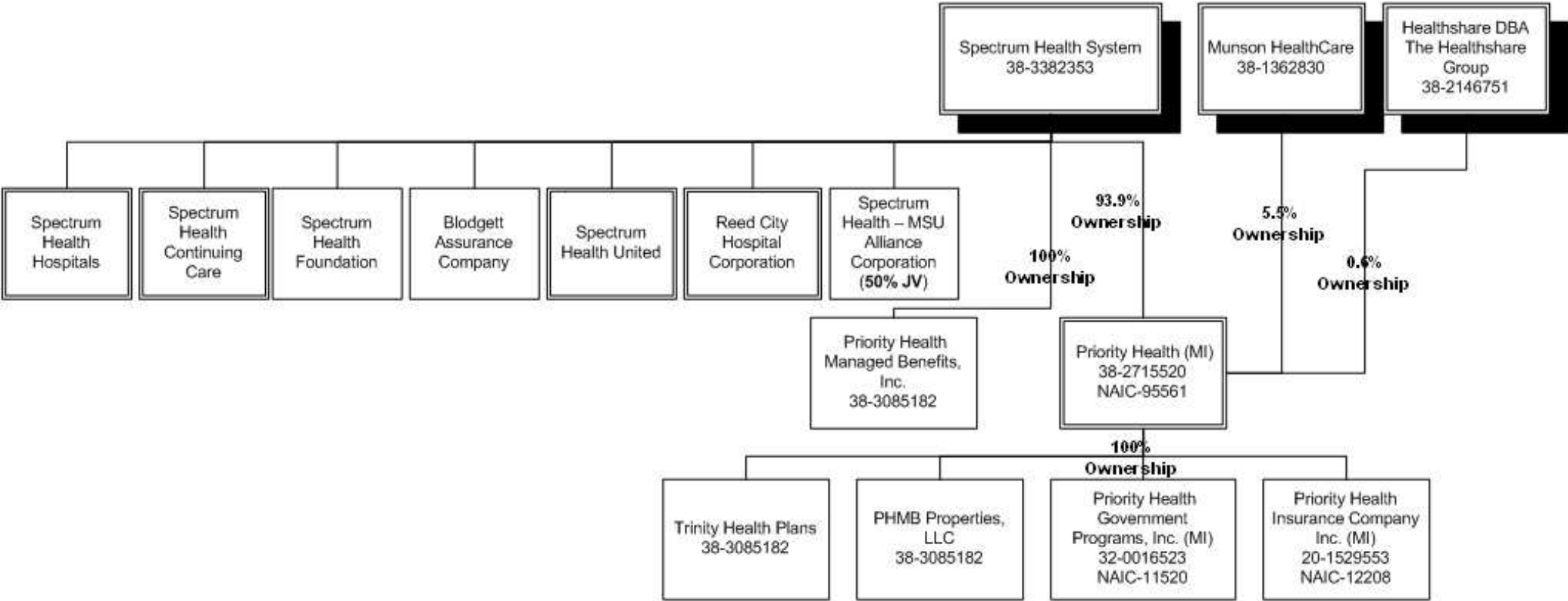
		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N							.0	.0
2. Alaska	AK	N							.0	.0
3. Arizona	AZ	N							.0	.0
4. Arkansas	AR	N							.0	.0
5. California	CA	N							.0	.0
6. Colorado	CO	N							.0	.0
7. Connecticut	CT	N							.0	.0
8. Delaware	DE	N							.0	.0
9. District of Columbia	DC	N							.0	.0
10. Florida	FL	N							.0	.0
11. Georgia	GA	N							.0	.0
12. Hawaii	HI	N							.0	.0
13. Idaho	ID	N							.0	.0
14. Illinois	IL	N							.0	.0
15. Indiana	IN	N							.0	.0
16. Iowa	IA	N							.0	.0
17. Kansas	KS	N							.0	.0
18. Kentucky	KY	N							.0	.0
19. Louisiana	LA	N							.0	.0
20. Maine	ME	N							.0	.0
21. Maryland	MD	N							.0	.0
22. Massachusetts	MA	N							.0	.0
23. Michigan	MI	L	1,278,235		137,998,582				139,276,817	.0
24. Minnesota	MN	N							.0	.0
25. Mississippi	MS	N							.0	.0
26. Missouri	MO	N							.0	.0
27. Montana	MT	N							.0	.0
28. Nebraska	NE	N							.0	.0
29. Nevada	NV	N							.0	.0
30. New Hampshire	NH	N							.0	.0
31. New Jersey	NJ	N							.0	.0
32. New Mexico	NM	N							.0	.0
33. New York	NY	N							.0	.0
34. North Carolina	NC	N							.0	.0
35. North Dakota	ND	N							.0	.0
36. Ohio	OH	N							.0	.0
37. Oklahoma	OK	N							.0	.0
38. Oregon	OR	N							.0	.0
39. Pennsylvania	PA	N							.0	.0
40. Rhode Island	RI	N							.0	.0
41. South Carolina	SC	N							.0	.0
42. South Dakota	SD	N							.0	.0
43. Tennessee	TN	N							.0	.0
44. Texas	TX	N							.0	.0
45. Utah	UT	N							.0	.0
46. Vermont	VT	N							.0	.0
47. Virginia	VA	N							.0	.0
48. Washington	WA	N							.0	.0
49. West Virginia	WV	N							.0	.0
50. Wisconsin	WI	N							.0	.0
51. Wyoming	WY	N							.0	.0
52. American Samoa	AS	N							.0	.0
53. Guam	GU	N							.0	.0
54. Puerto Rico	PR	N							.0	.0
55. U.S. Virgin Islands	VI	N							.0	.0
56. Northern Mariana Islands	MP	N							.0	.0
57. Canada	CN	N							.0	.0
58. Aggregate Other Alien	OT	XXX	.0	.0	.0	.0	.0	.0	.0	.0
59. Subtotal	XXX		1,278,235	.0	137,998,582	.0	.0	.0	139,276,817	.0
60. Reporting entity contributions for Employee Benefit Plans	XXX								.0	
61. Total (Direct Business)	(a) 1		1,278,235	0	137,998,582	0	0	0	139,276,817	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		.0	.0	.0	.0	.0	.0	.0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		0	0	0	0	0	0	0	

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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(http://www.naic.org/committees_e_app_blanks.htm)

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